

**CHEROKEE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	I 23
Statement of Change in Fiduciary Net Assets	J 24
Notes to Financial Statements	25-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	32
Notes to Required Supplementary Information - Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36-37
Fiduciary Funds:	
Combining Statement of Net Assets - Private Purpose Trusts	4 38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Private Purpose Trusts	5 39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6 40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	41-42
Schedule of Findings	43-44

CHEROKEE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2007 Election)		
Laura Dawson	President	2007
Kirk Ebel	Vice President	2007
Deb Johnson		2008
Kirk Sampson		2008
Terri Weaver		2009

(After September, 2007 Election)		
Laura Dawson	President	2011
Kirk Sampson	Vice President	2008
Deb Johnson		2008
Larry Goodrich		2009
Terri Weaver		2009

School Officials

John Chalstrom	Superintendent
Joyce Lundsgaard	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Cherokee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cherokee Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

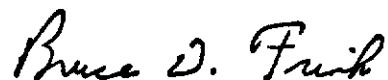
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2009 on our consideration of Cherokee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

January 23, 2009

CHEROKEE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,836,220 in fiscal 2007 to \$9,034,890 in fiscal 2008, while General Fund expenditures increased from \$8,816,267 in fiscal 2007 to \$9,001,093 in fiscal 2008.
- The increase in General Fund revenues was primarily attributable to an increase in state categorical aid and property tax. The increase in expenditures was due to an increase in payroll, primarily teacher compensation, as well as increased costs in instructional materials, utility & fuel costs, and transfers to the activity and nutrition funds.
- Due to budget planning the district has maintained a solvent financial position.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cherokee Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cherokee Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cherokee Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Cherokee Community School District Annual Financial Report

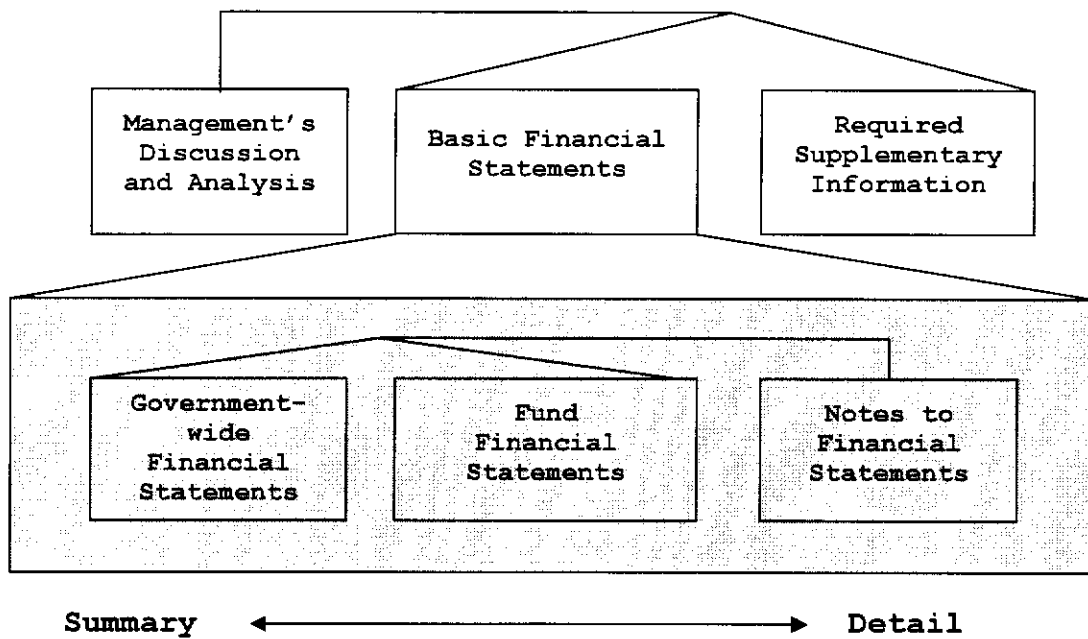


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 5,137	5,139	37	25	5,174	5,164	0.19%
Capital assets	8,173	8,522	52	55	8,225	8,577	-4.10%
Total assets	13,310	13,661	89	80	13,399	13,741	-2.49%
Current liabilities	2,931	3,022	2	3	2,933	3,025	-3.04%
Non-current liabilities	5,369	5,698	-	-	5,369	5,698	-5.77%
Total liabilities	8,300	8,720	2	3	8,302	8,723	-4.83%
Net Assets							
Invested in capital assets, net of related debt	3,248	3,277	52	55	3,300	3,332	-0.96%
Restricted	1,051	1,017	-	-	1,051	1,017	3.34%
Unrestricted	711	647	35	22	746	669	11.51%
Total net assets	\$ 5,010	4,941	87	77	5,097	5,018	1.57%

The District's combined net assets decreased slightly from the prior year. The largest portion of the District's net assets is invested in capital assets. No funds experienced great increases or decreases in fund balance.

Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$77,000 or 13%. This increase in unrestricted net assets was primarily a result of an increase in the General Fund balance. Discretionary spending is being closely monitored.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

<div>Figure A-4</div> <div>Changes in Net Assets</div> <div>(Expressed in Thousands)</div>							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 317	454	265	267	582	721 -19.28%	
Operating grants, contributions and interest and restricted interest	1,693	1,450	219	218	1,912	1,668 14.63%	
General revenues:							
Property tax	2,958	3,004	-	-	2,958	3,004 -1.53%	
Income surtax	181	170	-	-	181	170 6.47%	
Local option sales tax	590	607	-	-	590	607 -2.80%	
Unrestricted state grants	4,471	4,483	-	-	4,471	4,483 -0.27%	
Unrestricted investment earnings	27	39	-	-	27	39 -30.77%	
Other	83	59	-	-	83	59 40.68%	
Total revenues	10,320	10,266	484	485	10,804	10,751 0.49%	
Program expenses:							
Governmental activities:							
Instruction	6,457	6,183	-	-	6,457	6,183 4.43%	
Support Services	2,523	2,552	-	-	2,523	2,552 -1.14%	
Non-instructional programs	5	-	473	506	478	506 -5.53%	
Other expenses	1,266	1,142	-	-	1,266	1,142 10.86%	
Total expenses	10,251	9,877	473	506	10,724	10,383 3.28%	
Change in net assets	\$ 69	389	11	(21)	80	368 -78.26%	

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,319,979 and expenses were \$10,250,547.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 6,457	6,183	4.43%	4,852	4,682	3.63%
Support Services	2,523	2,552	-1.14%	2,497	2,534	-1.46%
Non-instructional programs	5	-	100.00%	5	-	100.00%
Other expenses	<u>1,266</u>	<u>1,142</u>	<u>10.86%</u>	<u>887</u>	<u>756</u>	<u>17.33%</u>
Totals	<u>\$ 10,251</u>	<u>9,877</u>	<u>3.79%</u>	<u>8,241</u>	<u>7,972</u>	<u>3.37%</u>

- The cost financed by users of the District's programs was \$317,304.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,150,007.
- The net cost of governmental activities was financed with \$2,957,639 in property and other taxes and \$4,471,206 in unrestricted state grants.

Business-Type Activities

Revenues for business type activities were \$484,235 and expenses were \$473,712. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Cherokee Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,009,737, a one percent increase over last year's ending fund balances of \$4,940,305.

Governmental Fund Highlights

- The District has carefully monitored discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee and the District's projected declining enrollment.
- The District received over \$590,000 in local option sales tax monies during the year. The entire amount was used for property tax relief.
- The District was one of a minority of Districts to receive a voluntary preschool grant to fund a voluntary 4 year old program. The District received \$159,990 in 2008.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased approximately \$21,000 during the fiscal year ending June 30, 2008. The cash balance decreased approximately \$8,000 due to the increase food costs. Depreciation expense totaled over \$13,000.

BUDGETARY HIGHLIGHTS

The District's receipts were \$270,994 lower than budgeted receipts, a variance of 2%. This variance resulted from the District receiving less in all revenue sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,173,414, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$461,060.

The original cost of the District's capital assets was \$15,534,798. Governmental funds account for \$15,397,100, with the remainder of \$137,698 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment category. The District spent \$112,725 on transportation and technology equipment.

Figure A-6							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2008	2007	2008	2007	2008	2007	2007-08	
Land	\$ 714	714	-	-	714	714	0.00%
Land improvements	487	565	-	-	487	565	-13.81%
Buildings	6,801	7,012	-	-	6,801	7,012	-3.01%
Furniture and equipment	171	231	53	55	224	286	-21.68%
Totals	\$ 8,173	8,522	53	55	8,226	8,577	-4.09%

Long-term Debt

The District has outstanding debt of \$4,925,000 for a Middle School built in 1999. The bond will be fully retired in the year 2018.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The Silo tax passed in February, 2004 and money was received by the District beginning in September 2004. These funds are used for debt reduction resulting in property tax relief for the taxpayers. Recessionary pressures may decrease the amount of sales tax received by the District in the near future.
- The legislature must provide adequate funding to allow the District to maintain its current programs.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resource aspect of the District. "Student Achievement and Teacher Quality Act", reduction in state aid for juvenile homes, unfunded PSEO mandates, and mandated media specialists to name a few.
- Another issue impacting the long-term health of the District is declining enrollment. In 2008, the District received \$13,040 less in new money, and anticipated future enrollment declines along with increased expenditures will impact the ability of the District to provide sufficient revenue to maintain current levels of programming.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Lundsgaard, District Secretary/Treasurer, Cherokee Community School District, 600 West Bluff, Cherokee, Iowa 51012.

Basic Financial Statements

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,817,959	171	1,818,130
Receivables:			
Property tax:			
Current year	31,950	-	31,950
Succeeding year	2,894,968	-	2,894,968
Income surtax	156,535	-	156,535
Due from other governments	215,232	6,136	221,368
Other receivables	19,638	-	19,638
Inventories	-	30,504	30,504
Capital assets, net of accumulated depreciation (note 3)	8,173,414	52,365	8,225,779
Total assets	<u>13,309,696</u>	<u>89,176</u>	<u>13,398,872</u>
Liabilities			
Accounts payable	12,265	1,750	14,015
Accrued salary and benefits	1,850	-	1,850
Accrued interest payable	17,959	-	17,959
Deferred revenue:			
Succeeding year property tax	2,894,968	-	2,894,968
Federal programs	3,688	-	3,688
Long term liabilities:			
Portion due within one year:			
Early retirement	123,765	-	123,765
Bonds payable (note 4)	415,000	-	415,000
Portion due after one year:			
Early retirement	320,464	-	320,464
Bonds payable (note 4)	4,510,000	-	4,510,000
Total liabilities	<u>8,299,959</u>	<u>1,750</u>	<u>8,301,709</u>
Net assets			
Invested in capital assets, net of related debt	3,248,414	52,365	3,300,779
Restricted for:			
Management levy	147,309	-	147,309
Debt service	4,541	-	4,541
Physical plant and equipment levy	43,642	-	43,642
Capital projects	855,021	-	855,021
Unrestricted	710,810	35,061	745,871
Total net assets	<u>\$ 5,009,737</u>	<u>87,426</u>	<u>5,097,163</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:	\$ 6,457,018	317,304	1,288,086	(4,851,628)	-	(4,851,628)
Support services:						
Student services	283,762	-	-	(283,762)	-	(283,762)
Instructional staff services	190,845	-	-	(190,845)	-	(190,845)
Administration services	1,065,286	-	-	(1,065,286)	-	(1,065,286)
Operation and maintenance of plant services	673,628	-	25,920	(647,708)	-	(647,708)
Transportation services	309,272	-	-	(309,272)	-	(309,272)
	2,522,793	-	25,920	(2,496,873)	-	(2,496,873)
Non-instructional programs						
Food service operations	4,775	-	-	(4,775)	-	(4,775)
Other expenditures:						
Interest on long-term debt	292,228	-	-	(292,228)	-	(292,228)
Long-term debt services	875	-	-	(875)	-	(875)
Facilities acquisition and construction	159,078	-	26,436	(132,642)	-	(132,642)
AEA flowthrough	352,720	-	352,720	-	-	-
Depreciation (unallocated)*	461,060	-	-	(461,060)	-	(461,060)
	1,265,961	-	379,156	(886,805)	-	(886,805)
Total governmental activities	10,250,547	317,304	1,693,162	(8,240,081)	-	(8,240,081)

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	473,712	265,049	219,186	-	10,523	10,523
Total	\$ 10,724,259	582,353	1,912,348	(8,240,081)	10,523	(8,229,558)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,544,733	-	2,544,733
Management fund				248,599	-	248,599
Capital outlay				164,307	-	164,307
Income surtax				180,567	-	180,567
School infrastructure local option sales tax				589,992	-	589,992
Unrestricted state grants				4,471,206	-	4,471,206
Unrestricted investment earnings				26,691	-	26,691
Net proceeds from refinancing				9,086	-	9,086
Other				74,332	-	74,332
Total general revenues				8,309,513	-	8,309,513
Change in net assets				69,432	10,523	79,955
Net assets beginning of year				4,940,305	76,903	5,017,208
Net assets end of year				\$ 5,009,737	87,426	5,097,163

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 814,714	4,541	763,996	234,708	1,817,959
Receivables:					
Property tax:					
Current year	26,776	-	-	5,174	31,950
Succeeding year	2,390,808	-	-	504,160	2,894,968
Income surtax	156,535	-	-	-	156,535
Due from other governments	124,207	-	91,025	-	215,232
Other receivables	19,638	-	-	-	19,638
Total assets	<u>\$ 3,532,678</u>	<u>4,541</u>	<u>855,021</u>	<u>744,042</u>	<u>5,136,282</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 12,265	-	-	-	12,265
Accrued salary and benefits	1,850	-	-	-	1,850
Deferred revenue:					
Succeeding year property tax	2,390,808	-	-	504,160	2,894,968
Income surtax	156,535	-	-	-	156,535
Federal programs	3,688	-	-	-	3,688
Total liabilities	<u>2,565,146</u>	<u>-</u>	<u>-</u>	<u>504,160</u>	<u>3,069,306</u>
Fund balances:					
Reserved for debt services	-	4,541	-	-	4,541
Reserved for capital projects	-	-	855,021	-	855,021
Unreserved, designated for special purposes	502,484	-	-	-	502,484
Unreserved, undesignated	465,048	-	-	239,882	704,930
Total fund balances	<u>967,532</u>	<u>4,541</u>	<u>855,021</u>	<u>239,882</u>	<u>2,066,976</u>
Total liabilities and fund balances	<u>\$ 3,532,678</u>	<u>4,541</u>	<u>855,021</u>	<u>744,042</u>	<u>5,136,282</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 2,066,976
--	---------------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	156,535
---	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,173,414
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(17,959)
--	----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement payable	\$ (444,229)	
Bonds payable	<u>(4,925,000)</u>	<u>(5,369,229)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 5,009,737</u>
--	----------------------------

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-major Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,719,553	-	589,992	412,906	3,722,451
Tuition	294,704	-	-	-	294,704
Other	147,142	-	26,436	240,480	414,058
State sources	5,603,178	-	-	472	5,603,650
Federal sources	270,283	-	-	-	270,283
Total revenues	<u>9,034,860</u>	<u>-</u>	<u>616,428</u>	<u>653,858</u>	<u>10,305,146</u>
Expenditures:					
Instruction:	<u>6,092,067</u>	<u>-</u>	<u>-</u>	<u>373,540</u>	<u>6,465,607</u>
Support services					
Student services	283,762	-	-	-	283,762
Instructional staff services	190,845	-	-	-	190,845
Administration services	1,060,472	-	-	4,814	1,065,286
Operation and maintenance of plant services	738,331	-	-	48,022	786,353
Transportation services	<u>278,121</u>	<u>-</u>	<u>-</u>	<u>31,151</u>	<u>309,272</u>
	<u>2,551,531</u>	<u>-</u>	<u>-</u>	<u>83,987</u>	<u>2,635,518</u>
Non-instructional programs:					
Food service operations	<u>4,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,775</u>
Other expenditures:					
Long-term debt:					
Principal	-	380,000	-	-	380,000
Interest	-	233,748	-	-	233,748
Services	-	875	-	-	875
Facilities acquisition and construction	-	-	-	159,078	159,078
AEA flowthrough	<u>352,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,720</u>
	<u>352,720</u>	<u>614,623</u>	<u>-</u>	<u>159,078</u>	<u>1,126,421</u>
Total expenditures	<u>9,001,093</u>	<u>614,623</u>	<u>-</u>	<u>616,605</u>	<u>10,232,321</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
Excess (deficiency) of revenues over (under) expenditures	33,767	(614,623)	616,428	37,253	72,825
Other financing sources (uses):					
Proceeds of bond refinancing	-	4,925,000	-	-	4,925,000
Bond defeasance principal	-	(4,865,000)	-	-	(4,865,000)
Bond issuance costs	-	(50,914)	-	-	(50,914)
Operating transfers in	-	609,254	-	-	609,254
Operating transfers out	-	-	(609,254)	-	(609,254)
Total other financing sources	-	618,340	(609,254)	-	9,086
Net change in fund balances	33,767	3,717	7,174	37,253	81,911
Fund balances beginning of year	933,765	824	847,847	202,629	1,985,065
Fund balances end of year	\$ 967,532	4,541	855,021	239,882	2,066,976

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 81,911

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 5,747

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 112,725	
Depreciation expense	<u>(461,060)</u>	(348,335)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,520

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Debt issued	(4,925,000)	
Debt retired and defeased	<u>5,245,000</u>	320,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>8,589</u>
------------------	--	--------------

Change in net assets of governmental activities (Exhibit B) \$ 69,432

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 265,049
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	145,499
Benefits	65,163
Services	5,063
Supplies	255,463
Other	105
Depreciation	2,419
Total operating expenses	<u>473,712</u>
Operating (loss)	<u>(208,663)</u>
Non-operating revenues:	
Interest on investments	80
Investment from General Fund	4,775
State sources	5,242
Federal sources	<u>209,089</u>
	<u>219,186</u>
Net income	10,523
Net assets beginning of year	<u>76,903</u>
Net assets end of year	<u>\$ 87,426</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 265,049
Cash payments to employees for services	(210,662)
Cash payments to suppliers for goods or services	<u>(248,342)</u>
Net cash (used in) operating activities	<u>(193,955)</u>
Cash flows from non-capital financing activities:	
State grants received	5,242
Federal grants received	<u>183,547</u>
Net cash provided by non-capital financing activities	<u>188,789</u>
Cash flows from capital financing activities:	
Investment from General Fund	4,775
Cash flows from investing activities:	
Interest on investments	<u>80</u>
Net increase in cash and cash equivalents	(311)
Cash and cash equivalents beginning of year	<u>482</u>
Cash and cash equivalents end of year	<u>\$ 171</u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	\$ (208,663)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,419
Commodities used	25,976
(Increase) in inventory	(12,168)
(Decrease) in accounts payable	<u>(1,519)</u>
	<u>\$ (193,955)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u>\$ 171</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$25,976.

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts
Assets	
Cash and pooled investments	\$ 42,209
Total assets	<u>42,209</u>
Net Assets	
Reserved for special purposes	<u>42,209</u>
Total net assets	<u>\$ 42,209</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 1,443
Contributions	<u>16,164</u>
Total additions	<u>17,607</u>
Deductions:	
Support services:	
Other	<u>23,593</u>
Total deductions	<u>23,593</u>
Change in net assets	(5,986)
Net assets beginning of year	<u>48,195</u>
Net assets end of year	<u>\$ 42,209</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Cherokee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Cherokee, Iowa, and agricultural territory in Cherokee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards board.

A. Reporting Entity

For financial reporting purposes, Cherokee Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Cherokee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cherokee County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals and academic programs through scholarship awards and grants.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 714,434	-	-	714,434
Capital assets being depreciated:				
Land Improvements	1,618,470	-	-	1,618,470
Buildings	10,535,180	-	-	10,535,180
Furniture and Equipment	2,416,291	112,725	-	2,529,016
Total capital assets being depreciated	14,569,941	112,725	-	14,682,666
Less accumulated depreciation for:				
Land Improvements	1,053,901	77,986	-	1,131,887
Buildings	3,523,441	210,709	-	3,734,150
Furniture and Equipment	2,185,284	172,365	-	2,357,649
Total accumulated depreciation	6,762,626	461,060	-	7,223,686
Total capital assets being depreciated, net	7,807,315	(348,335)	-	7,458,980
Governmental activities, capital assets, net	\$ 8,521,749	(348,335)	-	8,173,414

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 137,698	-	-	137,698
Less accumulated depreciation	82,914	2,419	-	85,333
Business type activities capital assets, net	<u>\$ 54,784</u>	<u>(2,419)</u>	<u>-</u>	<u>52,365</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 461,060

Business Type activities:

Food service operations \$ 2,419

(4) Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.10%	\$ 415,000	183,725	598,725
2010	4.20	430,000	167,125	597,125
2011	4.25	450,000	149,925	599,925
2012	4.30	465,000	131,925	596,925
2013	4.30	480,000	115,650	595,650
2014	4.40	495,000	98,610	593,610
2015	4.50	520,000	80,790	600,790
2016	4.60	535,000	61,810	596,810
2017	4.70	560,000	42,283	602,283
2018	4.70	<u>575,000</u>	<u>21,562</u>	<u>596,562</u>
Total		<u>\$4,925,000</u>	<u>1,053,405</u>	<u>5,978,405</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Bonds Payable	Early Retirement	Total
Balance beginning of year	\$5,245,000	452,818	5,697,818
Additions	-	44,047	44,047
Reductions	<u>380,000</u>	<u>52,636</u>	<u>432,636</u>
Balance end of year	<u>\$4,865,000</u>	<u>444,229</u>	<u>5,309,229</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2005 were \$341,930, \$316,472, and \$312,546 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$352,720 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2008 totaled \$52,636.

(9) Risk Management

Cherokee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Commitment

In June 2008, the District accepted bids of \$49,222 for new playground equipment that will not be installed until fiscal 2009.

Required Supplementary Information

CHEROKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,431,213	265,129	4,696,342	4,896,825	4,896,825	(200,483)
State sources	5,603,650	5,242	5,608,892	5,547,308	5,547,308	61,584
Federal sources	270,283	209,089	479,372	520,000	520,000	(40,628)
Total revenues	<u>10,305,146</u>	<u>479,460</u>	<u>10,784,606</u>	<u>10,964,133</u>	<u>10,964,133</u>	<u>(179,527)</u>
Expenditures:						
Instruction	6,465,607	-	6,465,607	7,576,046	7,576,046	1,110,439
Support services	2,635,518	-	2,635,518	3,045,003	3,045,003	409,485
Non-instructional programs	4,775	473,712	478,487	620,227	620,227	141,740
Other expenditures	1,126,421	-	1,126,421	1,881,972	1,881,972	755,551
Total expenditures	<u>10,232,321</u>	<u>473,712</u>	<u>10,706,033</u>	<u>13,123,248</u>	<u>13,123,248</u>	<u>2,417,215</u>
Excess of revenues over (under) expenditures	72,825	5,748	78,573	(2,159,115)	(2,159,115)	2,237,688
Other financing sources (uses)	<u>9,086</u>	<u>-</u>	<u>9,086</u>	<u>(7,085)</u>	<u>(7,085)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	81,911	5,748	87,659	(2,166,200)	(2,166,200)	2,237,688
Balance beginning of year	<u>1,985,065</u>	<u>76,903</u>	<u>2,061,968</u>	<u>2,288,725</u>	<u>2,288,725</u>	<u>(226,757)</u>
Balance end of year	<u>\$ 2,066,976</u>	<u>82,651</u>	<u>2,149,627</u>	<u>122,525</u>	<u>122,525</u>	<u>2,010,931</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 144,693	48,931	41,084	234,708
Property tax receivable:				
Current year	2,616	-	2,558	5,174
Succeeding year	<u>265,000</u>	<u>-</u>	<u>239,160</u>	<u>504,160</u>
Total assets	<u>\$ 412,309</u>	<u>48,931</u>	<u>282,802</u>	<u>744,042</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 265,000</u>	<u>-</u>	<u>239,160</u>	<u>504,160</u>
Fund equity:				
Unreserved fund balances	<u>147,309</u>	<u>48,931</u>	<u>43,642</u>	<u>239,882</u>
Total liabilities and fund balances	<u>\$ 412,309</u>	<u>48,931</u>	<u>282,802</u>	<u>744,042</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 248,599	-	164,307	412,906
Other	16,269	215,032	9,179	240,480
State sources	288	-	184	472
Total revenues	<u>265,156</u>	<u>215,032</u>	<u>173,670</u>	<u>653,858</u>
Expenditures:				
Instruction:				
Regular instruction	172,681	-	-	172,681
Co-curricular instruction	-	200,859	-	200,859
Support services:				
Administration	4,814	-	-	4,814
Plant operation and maintenance	48,022	-	-	48,022
Student transportation services	11,151	-	20,000	31,151
Other expenditures:				
Facilities acquisition and construction	-	-	159,078	159,078
Total expenditures	<u>236,668</u>	<u>200,859</u>	<u>179,078</u>	<u>616,605</u>
Excess (deficiency) of revenues over (under) expenditures	28,488	14,173	(5,408)	37,253
Fund balances beginning of year	<u>118,821</u>	<u>34,758</u>	<u>49,050</u>	<u>202,629</u>
Fund balances end of year	<u>\$ 147,309</u>	<u>48,931</u>	<u>43,642</u>	<u>239,882</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ -	703	656	47
Speech	-	1,225	1,225	-
Debate	-	519	519	-
Music	-	-	-	-
WHS Vocal Fundraising	270	626	595	301
WHS Band	-	79	79	-
Cross Country	-	989	989	-
Weightlifting	50	845	278	617
Boys Basketball	-	100	100	-
Boys Basketball Fundraiser	279	250	-	529
Football	-	3	3	-
Football Fundraiser	(1,187)	9,395	7,856	352
Baseball	-	2,389	2,389	-
Baseball Fundraiser	421	6,539	4,814	2,146
Boys Track	-	3,800	3,256	544
Boys Tennis	-	20	20	-
Boys Golf	-	1,336	1,336	-
Wrestling	-	3,749	3,749	-
Girls Basketball	-	475	475	-
Girls Basketball Fundraiser	-	332	957	(625)
Volleyball	-	363	363	-
Volleyball Fundraiser	2,010	10,963	11,265	1,708
Girls Softball	-	300	300	-
Softball Fundraiser	641	120	-	761
Girls Track	-	2,723	2,723	-
Girls Tennis	-	57	57	-
Girls Golf	-	-	-	-
Cherokeean	1,066	11,374	3,119	9,321
National Honor Society	-	120	120	-
Drug Free Lifestyles	1,311	304	(10)	1,625
Cheerleaders	2,960	5,153	3,810	4,303
Art Club	1,097	1,131	1,243	985
Student Council	5,086	5,602	5,415	5,273
Concessions	571	17,408	17,281	698
FCCLA	1,503	631	612	1,522
Orchestra	-	-	-	-
German Club	5,974	-	309	5,665
Spanish Club	222	2,255	1,141	1,336

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FFA	587	-	-	587
Culinary Arts	2,261	2,297	2,183	2,375
Special Athletes	-	-	-	-
School to Work	33	-	-	33
Drill Team	-	-	-	-
WHS Work Study	661	1,480	120	2,021
Class of 2010	-	-	(343)	343
Class of 2011	-	-	(168)	168
Class of 2008	716	635	878	473
Class of 2009	289	-	(554)	843
Prom	-	12,230	12,230	-
Interest on Investments	-	617	119	498
WHS Athletics	-	4,872	4,872	-
WHS Activities - Ticket Sales	-	94,204	94,204	-
WHS Athletic Pop & Juice	1,116	3,448	3,914	650
WHS Safety Glasses and Padlocks	124	152	-	276
Stoneking Class	246	476	253	469
Library Club	-	144	124	20
7th/8th Student Council	1,823	380	718	1,485
5th/6th Student Council	409	-	43	366
CMS Athletics	-	360	360	-
Middle School Volleyball	286	-	-	286
CMS Band	1,123	144	551	716
CMS Vocal	296	-	296	-
CMS Activity Resale	21	1,065	1,037	49
CMS Science Club	-	-	-	-
CMS Hoops Festival	2,493	650	2,978	165
Total	\$ 34,758	215,032	200,859	48,931

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2008

	Coop Learning	Interest Account	Student Health	Thomas Account	Student Scholarship Fund	Vera Pratt Memorial	Totals
Assets							
Cash and pooled investments	\$ 2,874	4,566	1,001	22,742	4,025	7,001	42,209
	<u>\$ 2,874</u>	<u>4,566</u>	<u>1,001</u>	<u>22,742</u>	<u>4,025</u>	<u>7,001</u>	<u>42,209</u>
Net assets							
Reserved for special purposes	\$ 2,874	4,566	1,001	22,742	4,025	7,001	42,209
	<u>\$ 2,874</u>	<u>4,566</u>	<u>1,001</u>	<u>22,742</u>	<u>4,025</u>	<u>7,001</u>	<u>42,209</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2008

	Coop Learning	Interest Account	Student Health	Thomas Account	Student Scholarship Fund	Vera Pratt Memorial	Total
Revenues:							
Local sources:							
Interest on investments	\$ -	1,020	-	-	-	423	1,443
Contributions	-	-	-	10,914	5,250	-	16,164
	-	1,020	-	10,914	5,250	423	17,607
Expenditures:							
Instruction:							
Regular instruction:	-	5,478	-	12,715	5,200	200	23,593
Other	-	5,478	-	12,715	5,200	200	23,593
Excess (deficiency) of revenues over (under) expenditures	-	(4,458)	-	(1,801)	50	223	(5,986)
Balance beginning of year	2,874	9,024	1,001	24,543	3,975	6,778	48,195
Balance end of year	\$ 2,874	4,566	1,001	22,742	4,025	7,001	42,209

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 3,722,451	3,775,786	3,803,191	4,130,990
Tuition	294,704	430,518	412,713	391,584
Other	414,058	425,011	430,355	463,574
State sources	5,603,650	5,359,416	5,199,779	4,915,157
Federal sources	270,283	269,795	278,532	314,978
Total	<u>\$ 10,305,146</u>	<u>10,260,526</u>	<u>10,124,570</u>	<u>10,216,283</u>
Expenditures:				
Instruction	\$ 6,465,607	6,266,284	6,213,911	6,100,321
Support services:				
Student	283,762	297,875	279,333	290,956
Instructional staff	190,845	196,262	208,404	190,824
Administration	1,065,286	1,135,445	1,039,176	983,605
Operation and maintenance of plant	786,353	764,119	766,771	777,970
Transportation	309,272	355,558	275,838	241,682
Other support services	-	-	-	-
Other expenditures:				
Facilities acquisition	159,078	146,842	143,756	217,735
Debt Service:				
Principal	380,000	365,000	350,000	330,000
Interest and service charges	234,623	251,668	268,467	284,308
AEA flowthrough	352,720	346,427	326,372	318,596
Total	<u>\$ 10,227,546</u>	<u>10,125,480</u>	<u>9,872,028</u>	<u>9,735,997</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Cherokee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cherokee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cherokee Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Cherokee Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cherokee Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Cherokee Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-I-A is a material weakness.

Compliance and Other Matters

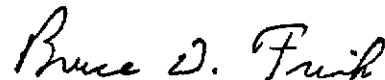
As part of obtaining reasonable assurance about whether Cherokee Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cherokee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Cherokee Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cherokee Community School District and other parties to whom Cherokee Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 23, 2009

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- 08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.
- 08-II-B Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted in any of the four functions.
- 08-II-C Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

- 08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 08-II-H Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 08-II-I Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.